

TRAPPER RESOURCES LTD.

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TRAPPER RESOURCES LTD.**CONSOLIDATED FINANCIAL STATEMENTS****MARCH 31, 1988****(unaudited)**



Collins
Barrow

Chartered Accountants

1400 First Alberta Place
777-8th Avenue S.W.
Calgary, Canada T2P 3R5
Telephone: (403) 298-1500
Fax: (403) 237-0330
Telex: 03-821138

REVIEW ENGAGEMENT REPORT

To the Directors
Trapper Resources Ltd.

We have reviewed the consolidated balance sheet of Trapper Resources Ltd. as at March 31, 1988 and the consolidated statements of loss and deficit and cash flow for the nine months then ended. Our review was made in accordance with generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

The financial statements for the nine months ended March 31, 1987 were prepared by management.

Collins Barrow

CHARTERED ACCOUNTANTS

Calgary, Alberta
May 25, 1988
Offices across Canada
Represented in principal
areas of the World

TRAPPER RESOURCES LTD.

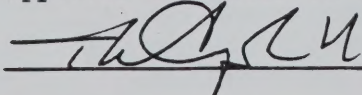
CONSOLIDATED BALANCE SHEET

MARCH 31, 1988

(unaudited)

	<u>ASSETS</u>	<u>1988</u>	<u>1987</u>
Current assets			
Cash	\$	43,987	\$ 17,799
Accounts receivable		113,043	43,309
Marketable securities		16,750	16,750
		<u>173,780</u>	<u>77,858</u>
Property and equipment		1,600,000	4,882,140
	\$	<u>1,773,780</u>	<u>\$ 4,959,998</u>
	<u>LIABILITIES</u>		
Current liabilities			
Accounts payable and accrued liabilities	\$	212,589	\$ 107,898
Bank loan (note 2)		691,000	-
Advances from shareholder		105,000	-
		<u>1,008,589</u>	<u>107,898</u>
Bank loan		<u>-</u>	<u>750,000</u>
	<u>SHAREHOLDERS' EQUITY</u>		
Share capital (note 3)		7,457,701	7,457,701
Deficit		(6,692,510)	(3,355,601)
		<u>765,191</u>	<u>4,102,100</u>
Subsequent event (note 4)		\$ 1,773,780	\$ 4,959,998

Approved on behalf of the Board,

, Director

TRAPPER RESOURCES LTD.

CONSOLIDATED STATEMENT OF LOSS

NINE MONTHS ENDED MARCH 31, 1988

(unaudited)

	<u>1988</u>	<u>1987</u>
Revenue		
Oil and gas sales	\$ 311,606	\$ 315,414
Alberta royalty tax credit	16,170	19,241
Other	<u>5,250</u>	<u>11,010</u>
	<u>333,026</u>	<u>345,665</u>
Expenses		
Production	92,295	142,872
General and administrative	204,882	215,990
Interest on bank loan	56,090	67,751
Depletion	-	176,384
Depreciation	<u>-</u>	<u>19,598</u>
	<u>353,267</u>	<u>622,595</u>
Loss before the following	20,241	276,930
Provision for impairment in value of petroleum and natural gas properties (note 1(b))	<u>1,163,217</u>	<u>-</u>
Net loss	<u>\$ 1,183,458</u>	<u>\$ 276,930</u>
Loss per common share [note 1(g)]	<u>\$ 0.38</u>	<u>\$ 0.12</u>

TRAPPER RESOURCES LTD.

CONSOLIDATED STATEMENT OF DEFICIT

NINE MONTHS ENDED MARCH 31, 1988

(unaudited)

	<u>1988</u>	<u>1987</u>
Deficit, beginning of period	\$ 5,509,052	\$ 3,078,671
Net loss	<u>1,183,458</u>	<u>276,930</u>
Deficit, end of period	<u><u>\$ 6,692,510</u></u>	<u><u>\$ 3,355,601</u></u>

TRAPPER RESOURCES LTD.

CONSOLIDATED STATEMENT OF CASH FLOW

NINE MONTHS ENDED MARCH 31, 1988

(unaudited)

	<u>1988</u>	<u>1987</u>
Operating activities		
Oil and gas receipts, net	\$ 286,996	\$ 293,536
Alberta royalty tax credit receipts	-	19,241
Other receipts	5,250	11,010
General and administrative payments	(242,398)	(249,406)
Interest payments	<u>(56,090)</u>	<u>(67,751)</u>
	<u>(6,242)</u>	<u>6,630</u>
Financing activities		
Repayment of bank loan, net	(9,000)	(250,000)
Advances from shareholder	<u>105,000</u>	<u>-</u>
	<u>96,000</u>	<u>(250,000)</u>
Investing activities		
Acquisition of property and equipment	(41,640)	(145,217)
Proceeds on disposal of property and equipment	31,500	324,279
Petroleum incentive grants received	<u>14,990</u>	<u>72,093</u>
	<u>4,850</u>	<u>251,155</u>
Cash inflow	94,608	7,785
Cash (bank overdraft), beginning of period	<u>(50,621)</u>	<u>10,014</u>
Cash, end of period	<u>\$ 43,987</u>	<u>\$ 17,799</u>

TRAPPER RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1988

(unaudited)

1. Summary of significant accounting policies

a) Principles of consolidation

The financial statements include the accounts of the company and its wholly-owned subsidiary company.

b) Petroleum and natural gas properties

The company follows the full cost method of accounting whereby all costs related to the exploration for and the development of oil and gas reserves are initially capitalized and accumulated in country-by-country cost centres (Canada and the United States). Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells together with overhead directly related to exploration and development activities. Proceeds on minor property sales are credited to the net book value of the property and equipment. Gains or losses on major property sales are recognized in the statement of loss where the sale results in a material change in the rate of depletion.

Costs capitalized in the cost centres are depleted and depreciated using the composite unit-of-production method which is based on estimated proven oil and gas reserves as determined by independent and company engineers. The provision for depletion and depreciation for the current period has been included in the provision for impairment in value of petroleum and natural gas properties.

In applying the full cost method, the company performs a ceiling test which restricts the capitalized costs less accumulated depletion and depreciation for each cost centre from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on current prices and costs, and after deducting estimated future general and administrative expenses, financing costs and income taxes for each cost centre.

Pursuant to the reorganization described in note 4, the company has agreed to sell its property and equipment for proceeds of \$1,600,000. As a result, the company's property and equipment at March 31, 1988 has been written down to net realizable value.

c) Joint venture accounting

Substantially all of the company's petroleum and natural gas exploration and production activities are conducted jointly with others and accordingly these financial statements reflect only the company's proportionate interest in such activities.

TRAPPER RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1988

(unaudited)

3. Share capital (cont'd)

As at March 31, 1988, dividends in arrears on preferred shares amounted to \$901,309. Pursuant to the reorganization described in note 4, these dividends will be waived on finalization of the agreement.

Of the 360,800 common shares committed for issue pursuant to the amalgamation with Pascar Development Corporation Ltd. during the fiscal year ended July 31, 1983, 145,381 shares had been exchanged for Pascar shares as at June 30, 1987. 215,419 common shares remain in trust with the transfer agent pending exchange with the remaining outstanding Pascar shares.

As at March 31, 1988, the company has reserved 270,000 common shares for issue under stock option plans. Stock options outstanding under these plans are as follows:

	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Employee stock options	150,000	\$ 0.20	January 31, 1989
Director stock options	120,000	\$ 0.20	September 30, 1989

4. Subsequent event and plan of reorganization

By special resolution dated May 18, 1988, the shareholders of each class have approved the sale of all of the company's assets to Agassiz Resources Ltd., subject to Agassiz Resources Ltd. fully paying and discharging all financial obligations of the company to its creditors on or before the closing date. The proposed sale is conditional upon regulatory approval, and is expected to close on July 1, 1988.

The purchase price for the assets of \$1,600,000 will be satisfied as follows:

Assumption of bank loan	\$ 691,000
Offset advances from Agassiz Resources Ltd.	105,000
Promissory note	<u>804,000</u>
	<u>\$ 1,600,000</u>

In addition, prior to closing Agassiz Resources Ltd. will waive its rights to receive unpaid dividends of \$901,309 due to it with respect to its outstanding first preferred shares, series A.

TRAPPER RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1988

(unaudited)

4. Subsequent event and plan of reorganization (cont'd)

Subsequent to closing, the promissory note will be satisfied by the redemption of 80,400 first preferred shares, series A at a price of \$10.00 per share. In addition, subsequent to closing, 92,100 first preferred shares, series A will be converted to 9,210,000 Common Shares.

After completion of the above transactions, the company will have essentially disposed of all of its revenue-producing assets and have no active operations and will become a subsidiary of Agassiz Resources Ltd. by virtue of Agassiz's then 84% ownership of the company.

5. Tax benefits available

The financial statements do not reflect potential income tax reductions available through the application of losses carried forward against future earnings otherwise subject to income taxes. These losses expire as follows:

	<u>Year Incurred</u>	<u>Year of Expiry</u>	<u>Amount</u>
United States	1980	1995	U.S. \$ 1,191,847
	1981	1996	788,164
	1982	1997	161,410
	1983	1998	2,213
	1984	1999	129,868
	1985	2000	33,065
	1986	2001	21,661
	1987	2002	<u>303,717</u>
			U.S. \$ 2,631,945
Canada	1987	1994	CDN. \$ <u>60,313</u>

6. Commitment

Pursuant to an employment agreement with the president, the company is required to pay remuneration of \$5,418 per month until October 31, 1988.

